
Finance Committee

HB 3251

Brief Description: Modifying the special stadium sales and use tax imposed on food and beverages.

Sponsors: Representatives Santos and Pettigrew.

Brief Summary of Bill

- Allows restaurants, taverns, and bars in the Chinatown/International District of Seattle to credit the King County restaurant food and beverage sales tax against the state portion of the retail sales tax.

Hearing Date: 2/1/06

Staff: Mark Matteson (786-7145).

Background:

Retail sales and use taxes. The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the average local rate is about 2 percent statewide. The rate for most types of sales in King County is 2.3 percent. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue (Department). State revenues are deposited to the state general fund.

Several local sales and use taxes are state-shared taxes, in which the local tax is a credit against the state tax. In these taxes, the consumer does not face a higher rate attributable to the tax. Rather, a portion of the proceeds of the state tax is shifted to the local taxing jurisdiction. An example of this is the 0.017 percent general sales and use tax imposed by King County for the purposes of paying the principal and interest on the Mariners' stadium bonds. The effect of the credit against the state tax is to divert a portion of the State General Fund proceeds.

King County Restaurant Food and Beverage Tax. In 1995, the Legislature authorized counties with a population greater than 1 million to impose certain taxes for the purpose of financing a professional baseball stadium. Among the taxes authorized was a special sales and use tax on food and beverages sold in restaurants, taverns, and bars, at a rate not exceeding 0.5 percent.

King County used this taxing authority to impose a 0.5 percent sales and use tax on food and beverages sold in restaurants, bars, and taverns which took effect on January 1, 1996. This 0.5

percent sales and use tax is in addition to the regular retail sales and use tax, so a total sales and use tax of 9.3 percent applies to food and beverages sold in restaurants, bars, and taverns in most areas of King County. King County must use revenues from this 0.5 percent food and beverage sales and use tax to repay baseball stadium bonds. This food and beverage tax expires when the baseball stadium bonds are retired or 20 years after the tax was first imposed, whichever comes first.

For purposes of the stadium food and beverage sales and use tax, the Department has defined a restaurant as meaning any establishment having special space and accommodation where food and beverages are regularly sold to the public for immediate, but not necessarily on-site, consumption. The term restaurant includes lunch counters, diners, coffee shops, espresso shops or bars, concession stands or counters, delicatessens, and cafeterias, but, by statute, excludes grocery stores, mini-markets, and convenience stores.

Seattle's Chinatown/International District. The Chinatown/International District is a historic neighborhood just southeast of downtown Seattle. It hosts a diverse population and many small businesses, including restaurants and bars.

In 1998, the District's strategic plan was adopted as part of the city's Neighborhood Planning Program. The purpose of the program is to enable neighborhoods to articulate a vision for growth and change over a 20-year period.

Summary of Bill:

Restaurants, taverns, and bars located in the Chinatown/International District of Seattle may credit the King County restaurant food and beverage tax against the state portion of the retail sales and use taxes. For the purposes of the credit, the District boundaries are defined by the strategic plan adopted as part of Seattle's Neighborhood Planning Program in 1998.

Appropriation: None.

Fiscal Note: Requested on January 31, 2006.

Effective Date: The bill takes effect on July 1, 2006.